

## Message Text

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PAGE 01 STATE 231522

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R 180240Z SEP 76

FM SECSTATE WASHDC

TO USMISSION GENEVA

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FOLLOWING SANTIAGO 8954 SENT ACTION SECSTATE BUENOS AIRES  
INFO BRASILIA LIMA BOGOTA LA PAZ QUITO CARACAS SEPT. 13;  
REPEATED TO YOU QUOTE

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EO 11652: N/A

TAGS: ETRD, ECON, CI

SUBJECT: DUMPING AND ANTI-DUMPING

1. SUMMARY AND ACTIONS REQUESTED. THE DETERMINATION OF THE  
GOC'S ECONOMIC TEAM TO COMBAT CHILE'S RAMPANT INFLATION INTER  
ALIA THROUGH PROGRESSIVELY LOWER TARIFFS AND CHEAPER IMPORTS  
HAS BEEN THREATENING A NUMBER OF HIGH-COST CHILEAN INDUSTRIES.  
CHIEF AMONG THESE IMPORTS ARE WINE AND SHOES FROM ARGENTINA.  
ALLEGATIONS OF DUMPING AND DEMANDS FOR SOME KIND OF IMPORT  
RESTRICTION ARE WIDESPREAD. CHILE, IT IS SAID, IS TRYING TO BE  
MORE 'FREE MARKETEEER' EVEN THAN THE UNITED STATES WHICH ITSELF  
APPLIES 'SOCIALIST'-TYPE COUNTERVAILING DUTIES. ONE EXAMPLE  
RECENTLY CITED IN A LEADING PERIODICAL IS THAT OF SUCH U.S.  
PUNITIVE MEASURES AGAINST SHOE IMPORTS FROM BRAZIL. FOR  
DEPARTMENT. WE WOULD APPRECIATE BEING INFORMED FURTHER AS TO  
THE VALIDITY AND RELEVANCE OF THIS EXAMPLE, WHICH IS LIKELY TO  
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PAGE 02 STATE 231522

BE CITED BY CHILEANS AGAIN. FOR BUENOS AIRES. CAN YOU SUPPLY

SUMMARY OF ARGENTINE EXPORT INCENTIVES, INCLUDING EXCHANGE RATE DIFFERENTIALS? END SUMMARY AND ACTIONS REQUESTED.

2. ACCORDING TO WEEKLY QUE PASA, THE "ARGENTINE MENACE" BEGAN WITH THE MILITARY TAKEOVER THERE, AND THE MEASURES TAKEN BY THE NEW REGIME TO RESTORE ARGENTINA'S BALANCE OF PAYMENT. IT IS ARGUED THAT THE ARGENTINES EFFECTIVELY SUBSIDIZE THEIR EXPORTS BY USE OF THEIR DIVIDED EXCHANGE RATES. COMPONENTS FOR ARGENTINE EXPORTS WHICH ARE IMPORTED INTO ARGENTINA ARE PAID FOR AT THE OFFICIAL EXCHANGE RATE OF 140 PESOS TO THE DOLLAR. THE EXPORTER CAN THEN EXCHANGE HIS DOLLAR EARNINGS AT RATES OF UP TO 245 PESOS ON A SLIDING SCALE IN PROPORTION TO THE AMOUNT OF ARGENTINE LABOR THAT HAS GONE INTO THE FINISHED EXPORT. SHOE EXPORTS ALLEGEDLY ENTITLED THE EXPORTER TO 245 PESOS TO THE DOLLAR, THUS MAKING POSSIBLE A ROCKBOTTOM EXPORT PRICE. THESE ARE NOT, STRICTLY SPEAKING, SUBSIDIES, THE CHILEAN SHOE MANUFACTURERS ADMIT, BECAUSE THEY FLOW FROM EXCHANGE RATE DIFFERENTIALS. ACCORDING TO THESE CHILEANS, THAT DOES NOT MAKE THEM ANY LESS UNFAIR.

3. WINE PRODUCERS ARE EQUALLY UPSET. THERE MAY NOT, THEY AGREE, BE A FORMAL ARGENTINE BOUNTY ON WINE EXPORTS. NEVERTHELESS, THEY SAY, CREDITS COMBINED WITH GUARANTEED BASE PRICES IN ARGENTINA AMOUNT TO THE SAME THING. ALL ARGENTINE EXPORTS HAVE ACCESS TO SPECIAL ONE-YEAR CREDITS AT 7 PERCENT, RESULTING IN A COST ADVANTAGE NOT AVAILABLE TO THE CHILEAN COMPETITION. MEANWHILE, THE TARIFF PROTECTION ACCORDED CHILEAN WINE HAS DROPPED FROM 70 PERCENT TO 30 PERCENT. HOWEVER EFFICIENT THEY MIGHT SOMEDAY BECOME, CHILE'S WINEGROWERS ARGUE, THEY WILL STILL NEED FOUR YEARS OF PROTECTION AT A MINIMUM IN ORDER TO ADJUST TO THIS COMPETITION. OTHERWISE, IMPORTS FROM ARGENTINA WILL EFFECTIVELY DISCOURAGE NEW INVESTMENT IN CHILEAN VINEYARDS.

4. MEANWHILE, A CHILEAN IMPORTER OF WINE FROM ARGENTINA HAS RECENTLY HAD HIS PICTURE IN THE PAPERS IN STRONG SUPPORT OF THE IMPORT-ORIENTED, ANTI-INFLATIONARY POLICY OF THE ECONOMIC TEAM. "POWERFUL GROUPS", WHICH, HE SAYS, DOMINATE THE CHILEAN WINE INDUSTRY, HAVE BEEN BLOCKING HIS REQUESTS FOR LICENSES TO IMPORT HIGH-QUALITY ARGENTINE WINE AT 55 PERCENT OF THE COST OF THE EQUIVALENT CHILEAN PRODUCT.

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PAGE 03 STATE 231522

5. THE PRESIDENT OF THE CHILEAN MANUFACTURERS ASSOCIATION (SOFOFA), ARGUES THAT THE GOC "HAS TO DO SOMETHING" TO PROTECT DOMESTIC INDUSTRIES FROM "UNFAIR" COMPETITION. AT THE HEART OF SUCH COMPLAINTS LIES A FAMILIAR AMBIVALENCE: LIPSERVICE TO THE FREE MARKET CONCEPTS BEING ENFORCED BY THE ECONOMIC TEAM JUST SO LONG AS CHILEAN ENTREPRENEURS THEMSELVES ARE NOT BEING DAMAGED. QUITE APART FROM THE MATTER OF THE "FAIRNESS" OF

THE PRICING OF IMPORTS FROM ARGENTINA, ONE LONGER RANGE QUESTION  
IS WHETHER AN ABRUPT INCREASE IN IMPORTS IS THE APPROPRIATE  
SOLUTION FOR CHILE AT THIS TIME, GIVEN THE RELATIVE INEFFICIENCY  
OF A NUMBER OF ITS MANUFACTURERS, AND THE HIGH RATE OF  
UNEMPLOYMENT. ON THE OTHER HAND, WHEN PRICES OF STAPLES LIKE  
WINE AND SHOES SOAR -- AS THEY HAVE IN RECENT MONTHS -  
MARKET FORCES AS WELL AS FAIRNESS TO THE CHILEAN CONSUMER  
WOULD MAKE THE EXCLUSION OF IMPORTS FROM A LOWER-COST  
NEIGHBOR HARD TO JUSTIFY. POPPER UNQUOTE ROBINSON

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